

# FISCAL NOTE

**Bill #:** SB0015

**Title:** Decrease the qualified endowment tax Credit

**Primary**

**Sponsor:** John Cobb

**Status:** As Amended in House Tax

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2003</u></b> <b><u>Difference</u></b>	<b><u>FY2004</u></b> <b><u>Difference</u></b>	<b><u>FY2005</u></b> <b><u>Difference</u></b>
<b>Revenue:</b>			
General Fund	\$1,838,731		
<b>Net Impact on General Fund Balance:</b>	\$1,838,731		

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill would change the income tax and corporation license tax credits for gifts to qualified endowments made on or after the effective date of the act. The act would become effective by August 31, 2002. It would reduce the maximum credit from \$10,000 to \$6,600. It would reduce the credit that individuals may claim for planned gifts from 40% of the present value of the gift to 30% of the present value of the gift. It would reduce the credit that corporations and pass-through entities may claim for outright gifts from 20% of the value of the gift to 13.3% of the value of the gift.
2. On or after July 1, 2003, until April 30, 2004, it would increase the maximum credit to \$13,400. It would also increase the credit that individuals may claim up to 50% of the present value of the gift. It would increase the credit that corporations and pass-through entities may claim to 26.7% of the present value of the gift.
3. Credits for tax year 2002 will be claimed on returns filed in fiscal 2003. Based on conversations with accounting firms, this fiscal note assumes that 80% of the credits associated with tax year 2002 would

(continued)

arise from activity occurring after the effective date of this act. Credits for tax years 2003 and 2004 will be claimed on returns filed in fiscal years 2004 and 2005, respectively.

4. Under current law, credits are projected to be \$4,688,962 in fiscal 2003, \$4,876,520 in fiscal 2004 and \$4,974,050 in fiscal 2005. Under this bill, credits are projected to be \$2,850,231 in fiscal 2003. Under this bill as amended, credits are projected to increase in fiscal 2004 and 2005 by an amount undetermined at this time because of inadequate time to analyze.
5. All revenue from the income tax and corporation license tax is deposited in the general fund. This bill would increase revenue to the general fund by \$1,838,731 in fiscal 2003 (\$4,688,962 - \$2,850,231=\$2,535,893). Under this bill as amended, credits are projected to increase in fiscal 2004 and 2005 by an amount undetermined at this time because of inadequate time to analyze.
6. This bill would not have significant administrative impacts on the Department of Revenue.

FISCAL IMPACT:

	FY2003 <u>Difference</u>	FY2004 <u>Difference</u>	FY2005 <u>Difference</u>
<u>Revenues:</u>			
General Fund (01)	\$1,838,731		
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	\$1,838,731		

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

The charitable endowment credit terminates December 31, 2007. Thus, this bill would decrease general fund revenue in fiscal years 2004 and 2005.